

APPENDIX 4.4  
(referred to in paragraphs 4.51 and 4.61)

## Car suppliers' bonus/rebate schemes for car parts

### Bonus/rebate schemes

1. The majority (but not all) of those car suppliers which set purchasing/sales targets for car parts have bonus or rebate schemes linked to a franchised dealer's level of achievement of the targets. A brief summary of each of the bonus/rebate schemes operated by individual car manufacturers/ distributors follows.

#### *Rover Group Ltd*

2. Under the Rover parts sales plan there are separate bonus schemes for unique and competitive parts. Under both schemes bonus only commences when 90 per cent of parts targets are achieved. There is a set scale of bonuses for both schemes, the percentage level of bonus increasing through different bands of total sales up to a maximum level (in 1989) of bonus of 1.7 per cent of parts purchased at a value of purchases of [ \* ] and above. The bonus paid is further adjusted by a performance factor which varies according to the performance level achieved.

#### *Vauxhall Motors Ltd*

3. Under the Vauxhall Target Attainment Rebate Programme (introduced in 1991 to replace a previous rebate scheme) dealers are rewarded according to the level of their achievement against a selected product group purchase target and the minimum stock order percentage on total net billings purchases. The selected product group target is based on competitive product grouping and includes certain accessories. The levels for rebate for 1991 are as follows:

##### **Band 1 category dealers**

Stock order TP mix achieved	<i>Selected product target achievement %</i>			
	100- 104.99	105- 109.99	110- 114.99	115+
	<i>% rebate</i>			
70.0-72.49	2.0	2.75	3.50	4.25
72.5-74.99	2.75	3.50	4.25	5.00
75.0-76.99	3.50	4.25	5.00	5.75
77.5+	4.25	5.00	5.75	6.50

##### **All other dealers**

Stock order TP mix achieved	<i>Selected product target achievement %</i>			
	100- 104.99	105- 109.99	110- 114.99	115+
	<i>% rebate</i>			
65.0-67.49	1.75	2.50	3.25	4.00
67.5-69.99	2.50	3.25	4.00	4.75
70.0-72.49	3.25	4.00	4.75	5.50
72.5+	4.00	4.75	5.50	6.00

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\*Figures omitted. See note on page iv.

### ***Ford Motor Company Ltd***

4. Under the Ford Parts Enterprise Programme a Performance Reward of between 1.0 and 3.0 per cent is available to all dealers on achieving their total eligible parts purchase objective (covering competitive parts and accessories). The reward is available on a rising scale depending on the size of the objective-starting at 1.0 per cent for an objective of up to [ \* ] and increasing to 3.0 per cent for an objective of [ \* ] plus. Performance Reward is capped at 130 per cent of the objective. It is paid every four months.

5. An additional Target Reward is available to all dealers with a Performance Reward objective of [ \* ] or more, and is designed to encourage them to sell the whole range of competitive parts and accessories. It operates by setting targeted purchase objectives for each of six groups-which together add up to the total Performance Reward objective. Dealers achieving their total Performance Reward objective and also achieving at least 90 per cent of each of the six groups will receive a further 1 per cent of their total purchases of eligible parts in rebates.

6. The Ford Enterprise Programme was introduced in 1991 although a similar volume bonus scheme existed prior to the new arrangements.

### ***Peugeot Talbot Motor Company Ltd***

7. The Peugeot 'Cashplan' involves a three-part bonus scheme. Annual payments will be made under Part 1 of the scheme up to 2.7 per cent of 'Cashplan' purchases if a dealer's minimum average sales in a group of 28 products are 50 per cent of the national average. Lower levels of payment can be obtained by achieving a smaller number of product groups at 50 per cent of the national average and the rest at 25 per cent of the national average.

8. Payment gained in Part 1 can be increased by up to 0.75 per cent of Cashplan purchases for achieving the non-selected (captive) parts target.

9. Part 3 of the Cashplan provides an enhancement on the sum of Parts 1 and two payments of between 10 and 50 per cent by purchasing a number of product groups at a minimum of 60 per cent of the national average.

### ***Linked bonus***

10. Peugeot rewards good performance by its dealers within its Lion Standards Programme. Dealers can earn bonuses on their annual sales of cars by scoring points for reaching a variety of standards. Five points within a total of 200 for parts can be earned if the dealership policy is that only Peugeot parts are offered for sale. To be eligible for any bonus dealers must order the majority of these parts from the company.

### ***VAG (United Kingdom) Ltd***

11. VAG (UK) will pay a competitive product bonus on five categories of product including competitive parts and for other product categories (exchange, bodywork, car audio and accessories). For bonus to be paid dealers must achieve their overall competitive products target. Performance bonus will be paid at the following percentage rates but adjusted by weightings given to the different product categories.

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\*Figures omitted. See note on page iv.

<i>Target achievement</i>	<i>Percentage bonus</i>
100-104.9	1.5
105-109.9	4.0
110+	5.5

An additional bonus of 1.25 per cent is paid for achievement of all five product categories.

### ***Renault UK Ltd***

12. The Renault Volume Bonus Scheme provides for the payment to dealers of percentage bonuses on purchases of competitive parts from Renault according to the dealer's percentage level of achievement against the parts target that has been set. The scheme is based on two six-month periods with a further percentage payable for achievement over 12 months.

13. The Volume Bonus is payable at the following rates:

<i>% achievement of cumulative parts target</i>	<i>Bonus+ % of six-monthly product group purchases</i>	
	<i>Jan-June</i>	<i>July-December</i>
100 < 105	2.0	1.0
105 < 110	3.0	2.0
110 < 115	3.0	3.0
> 115	4.5	4.5

14. The dealer can achieve an extra 2 per cent bonus through consistent performance over the two six-month periods. The level of achievement during each six months earns a particular number of points which, when added together, offers up an additional 2 per cent bonus paid on the entire product group turnover for the year. The only provision is that there must be a minimum of 100 per cent achievement during each six months.

<i>January-June</i>		<i>July-December</i>	
<i>% achievement</i>	<i>Points</i>	<i>% achievement</i>	<i>Points</i>
100 < 105	1.0	100 < 105	1.0
105 < 110	2.0	105 < 110	2.0
110 < 115	3.0	110 < 115	3.0
< 115	4.0	< 115	4.0

<i>Annual bonus payout points</i>	<i>Percentage on yearly group purchases</i>
2 < 4	0.5
4 < 6	1.0
6 < 8	1.5
< 8	2.0

Total volume bonus available 1990 = 6.5 per cent.

### ***Jaguar Ltd***

15. Currently Jaguar will pay 1.5 per cent of the net value of a franchised dealer's parts purchases by way of six-monthly rebate in return for the dealer stocking a specified range of parts, maintaining core requirements and achieving 100 per cent or more of the target. Rebates are paid on both captive and competitive parts although the two are kept separate. Additional bonus may also be earned by satisfying certain conditions relating to support given to Jaguar parts.

### ***Linked bonus***

16. Jaguar operates an incentive programme called QUEST within which dealers can earn points for meeting certain standards including achieving a stockturn of parts of four times per annum or better and for stock orders being at least 20 per cent of total orders. A score of 100 points enables the dealer to obtain an extra discount of 3 per cent on all cars sold within a qualifying period. Smaller totals of points bring smaller discounts.

### ***Toyota (GB) Ltd***

17. Targets for key products, tied or captive parts and accessories are established. The overall purchase target is the sum of these three targets adjusted to take account of any special factors. The dealer is eligible for rebates of varying amounts on the value of overall parts purchases achieved but subject also to achieving a minimum of 60 per cent of the points possible under the Toyota After Sales Award Programme. Under that programme points are awarded for various elements of service achievement.

18. The levels of rebate payable against target achievement are as follows:

<i>% achievement of overall purchase target</i>	<i>% rebate</i>
90-94.99	1.0
95-99.99	1.5
100-109.99	2.5
110+	3.0

### ***BMW (GB) Ltd***

19. A 5 per cent discount bonus is paid monthly based on achievement of the monthly purchase target. Dealer targets are not broken down into different types of part.

20. A further 2 per cent bonus is paid monthly for dealers with a BMW Approved Bodyshop. The bonuses referred to its Clauses 16 and 17 are not dependent on service or customer satisfaction performance.

### ***Mazda Cars UK Ltd***

21. A dealer can receive up to a maximum of 6 per cent bonus if all three of the parts purchase targets (total purchases, service parts purchases and accessory purchases) are met. The actual amount received is subject to a dealers' customer care index.

22. Achievement of a dealer's annual parts and vehicles sales targets allows him to earn additional bonuses from a Dealer Quality Fund. The size of the bonus depends on the number of Quality Points awarded for meeting target standards of customer care.

### ***Rolls Royce Motor Cars Ltd***

23. The dealer's ability to meet his parts purchase target is recognised by the scoring of points under the Rolls Royce Distributor Plan. This plan rewards the dealer at the end of the contractual year based upon his overall performance in all areas of the business (including cars).

24. The points awarded for levels of achievement against the prescribed operating standards and sales objectives under the Distributor Plan are worth up to 3.5 per cent of the total value of a dealer's parts purchases.

### *Linked bonus*

25. Rolls Royce operates a bonus scheme for dealers within which they are given an extra discount of up to 3.5 per cent on annual car sales in return for earning up to 100 'points'. Points are awarded for meeting a variety of standards. Within the total, five points are awarded for achieving 110 per cent and above of the dealer's Parts Purchase Objective in the 1990 version of this scheme.

### *Saab Great Britain Ltd*

26. Bonus payments are made quarterly to dealers for achievement of agreed targets. All bonus payments are subject to achieving certain franchise standards.

### *Zastava (GB) Ltd*

27. Dealers who achieve or exceed their annual parts target for all parts are eligible for a bonus discount on purchases of two categories of parts for all stock orders of these parts placed during the first quarter of the following year. For the purpose of the additional discount calculation, the maximum value of each stock order will be up to the average stock order value achieved during 1991.

### *Citroën (UK) Ltd*

28. Under the Citroën Parts Scheme Bonus Plan dealerships are arranged into one of three groups based on the value of the previous year's purchases of parts and accessories. The dealer's total parts purchases (excluding accessories) in a particular year will be compared with the previous year's purchases and the increase compared with that of the group average. Bonuses are earned by dealers matching or exceeding the group average on the following basis:

		<i>Level of bonus %</i>
Group average (GA) up to GA + 5%	=	5
GA + 6% up to GA + 15%	=	10
GA + 16% and over	=	15

The bonus percentage will be applied to the net invoice value of all purchases of replacement parts under nine specific discount codes.

29. A separate calculation is undertaken for total accessory purchases and the resultant bonuses under the Parts and Accessory Schemes are multiplied by a stock order effectiveness percentage of both parts and accessories purchased to give the bonus amount payable.

### *Motor Vehicle Imports Ltd*

30. Any dealer achieving 80 per cent of his purchasing target within the first, second, third and fourth quarters of the year receives a 1.5 per cent retrospective discount based on purchases of fast-moving parts. A dealer achieving 100 per cent of his purchasing target would receive a 2.5 per cent retrospective discount on all parts purchases and a dealer achieving 120 per cent of target would receive a 5 per cent retrospective discount on all parts purchases.

### *Daihatsu (UK) Ltd*

31. Under Daihatsu Parts Bonus Scheme a dealer can earn up to 5 per cent of the retail value of his stock order purchases as bonus for achievement of his cumulative purchase target each month.

### ***The Colt Car Company Ltd***

32. Having agreed a target base for parts purchases with individual dealers a 2 per cent rebate (credited quarterly) is paid to the dealer upon achieving the target base. The level of rebate increases with higher parts purchases than the target base on the scale indicated below.

<i>Level of achievement</i>	<i>Rebate</i>
Target base + 5%	2.5
Target base + 7.5%	3.5
Target base + 10%	4.0
Target base + 15% (maximum on which bonus paid)	4.0

At the year end there is the opportunity to earn an additional bonus representing 1 per cent of annual purchases upon achieving target base, and 1.5 per cent if target base + 5 per cent is achieved.

### ***Linked bonus***

33. Mitsubishi Colt dealers may be paid bonuses for meeting car sales targets and parts sales objectives. However, sales and parts bonuses are interlinked in that it is a condition of both bonus schemes that the dealer achieves a certain level of standards under Colt's Dealer Operating Standards scheme. Accordingly, any shortfall in achieving requirements and other standards in one department, eg service, may affect payment of both bonuses.

### ***Skoda (Great Britain) Ltd***

34. Dealers qualify for an annual overriding discount depending on their individual performance during the previous year. For achieving 75 per cent of the previous annual performance a 3 per cent overrider is paid, for 100 per cent of the previous annual performance 5 per cent and for 110 per cent of previous performance a 9 per cent overrider.

### ***Honda Motor Europe Ltd***

35. Honda has newly introduced a Parts Bonus Scheme in 1991. Under the scheme a dealer that achieves the agreed monthly purchase objective will receive a bonus of 5 per cent of the net purchase value.

### ***Alfa Romeo (Great Britain) Ltd***

36. Parts bonus falls into two categories, parts and accessories. Dealer parts and accessory purchases are assessed separately; to qualify for bonus dealers must achieve the following conditions:

- (a) achievement of the cumulative purchase target at retail value; and
- (b) receipt of dealers' cumulative sales summary by the 14th of each month.

37. Cumulative purchase targets are arranged on a quarterly basis. Each month is assessed separately although payment is made at the end of each quarter in the form of a credit note. The dealer starts the next quarter with a new cumulative quarterly target.

38. The achievement of the overall quarterly target does not qualify the dealer for the full quarterly bonus, only for the months that were achieved.

- 39. Bonus is paid at 5 per cent of the total retail value of parts and accessory stock order purchases.

### ***Fiat Auto (UK) Ltd***

40. Dealer targets set for individual Fiat dealers have three elements:

- Captive (parts)
- Captive (body)
- Competitive (parts)

For the purpose of calculating bonus payable on competitive parts a dealer's total Fiat purchases within the competitive parts group are compared on a monthly basis to a pre-set target. Bonus on a sliding scale is paid on this category. A bonus will be paid every two months on a cumulative basis. If, however, more than 25 per cent of competitive parts (by line) are ordered on VOR the bonus payable will be reduced by one percentage point. The level of percentage bonus payable on competitive parts without the VOR penalty is as follows:

<i>% minimum achievement on competitive parts</i>	<i>% bonus on competitive parts</i>
90	1
95	2
100	4
110	5
120	6
130	7

41. A bonus is also paid on captive body parts. A dealer's total Fiat purchases within this group are compared with a four-month stand-alone target. Two levels of bonus are paid at 100 per cent achievement and 130 per cent achievement. Amounts of bonus payable vary depending on seasonality.

### ***Mercedes-Benz (United Kingdom) Ltd***

42. Mercedes-Benz operates a Standards Bonus scheme within which dealers can be awarded an additional 1 per cent discount on new car purchases and an additional 5 per cent on parts purchases. Out of a possible score of 10,500 points and 3,700 points in the parts section of the scheme 100 are allocated to purchasing all parts from the company. Dealers must score 85 per cent in all sections in order to be eligible for the bonuses.